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Railroad Retirement Reminders for the Year 2000

Railroad retirement annuities, like social security benefits, are scheduled to increase in January 2000 on the basis of the rise in the Consumer Price Index (CPI) during the 12 months preceding October 1999. While higher Medicare deductible and coinsurance charges are effective in 2000, the Medicare premiums deducted from benefit payments remain at the 1999 level in 2000. At the same time, higher earnings limits allow retirees to earn more during the year without reductions in their annuities.

For employers and employees, while regular railroad retirement tax rates are not changed for 2000, the amounts of compensation subject to these payroll taxes are scheduled to increase in January 2000 as a result of indexing to average national wage increases.

Unemployment and sickness benefits paid by the Railroad Retirement Board will also increase in 2000, but not until July 1.

The following questions and answers provide additional information on these Year 2000 changes, as well as information on Medicare.

1. How are the railroad retirement annuity cost-of-living increases payable in January 2000 calculated?

Cost-of-living increases are calculated in both the tier I and tier II benefits included in a railroad retirement annuity. Tier I benefits, like social security benefits, will increase by 2.4 percent, which is the percentage of the CPI rise. Tier II benefits will increase by 0.8 percent, which is 32.5 percent of the CPI rise. Vested dual benefit payments and supplemental annuities also paid by the Railroad Retirement Board are not adjusted for the CPI rise.

If a railroad retirement annuitant also receives a social security benefit, the increased tier I portion is reduced by the increased social security benefit. Tier II cost-of-living increases are not reduced by social security increases.

2. How much will average railroad retirement benefits increase after the cost-of-living adjustment?

In January 2000, the average regular railroad retirement employee annuity will increase $25 a month to $1,349 and the average of combined benefits for an employee and spouse will increase $35 a month to $1,955. For aged widow(er)s, the average survivor annuity will increase $17 a month to $809.

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3. What are the basic Medicare Part B medical insurance premium and medical insurance deductible in 2000?

The basic Medicare medical insurance premium deducted from railroad retirement or social security payments remains at the 1999 level of $45.50 a month in 2000. Also, the annual medical insurance deductible for doctor bills a beneficiary must pay remains at the previous level of $100.

4. What are the Medicare Part A hospital deductible and coinsurance charges in 2000?

For the first 60 days in a benefit period, a Medicare patient is responsible for paying a deductible which is the first $776 of all covered inpatient hospital services in 2000; this deductible was $768 in 1999. The daily coinsurance charge that a Medicare beneficiary is responsible for paying for hospital care for the 61st through the 90th day increases to $194 from $192. If a beneficiary uses “lifetime reserve” days (the extra 60 hospital days a beneficiary can use when more than 90 days of hospital care is needed in each benefit period), he or she will be responsible for paying $388 a day for each reserve day used, instead of the 1999 charge of $384 per day.

In addition, the daily coinsurance charge a beneficiary is responsible for paying for care in a skilled nursing facility for the 21st through the 100th day increases to $97 from $96.

5. What other basic information should railroad retirement beneficiaries know about the Medicare program in 2000?

In addition to the Original Medicare Plan, additional health care options are provided by the Balanced Budget Act of 1997.

Starting in 1999, beneficiaries who live in an area with Medicare Managed Care plans may now have a choice in how they get their health care. While Medicare Medical Savings Accounts and Private-fee-for-service plans may also be available in the future, no private companies had decided to offer these plans as of October 1999.

During September and October 1999, the Health Care Financing Administration (HCFA), the Federal agency responsible for administering Medicare, mailed copies of the handbook *Medicare & You 2000* to all Medicare households. This publication provides detailed information on the Medicare program, and beneficiaries can ask for information on Medicare health plans available in their area by calling 1-800-MEDICARE (1-800-633-4227). The State Health Insurance Assistance Program in a beneficiary’s area can also help with Medicare questions about health plan decisions. Beneficiaries can find the phone number for their area in their copy of *Medicare & You 2000.* They can also get up-to-date information about Medicare on the Internet at www.medicare.gov. Local libraries or senior centers may also be able to help beneficiaries access this information on the Internet.

In any case, beneficiaries who are happy with the Original Medicare Plan don’t have to do anything. They will continue to receive Medicare benefits the same way that they do now.

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6. Can the Railroad Retirement Board's staff advise beneficiaries on their Medicare choices and which may be best for them?

While Board staff can provide general information and appropriate referrals, they cannot counsel beneficiaries as to what choice may be right for them. That is a personal decision each beneficiary must make based on his or her own situation.

7. How do the earnings limitations applied to annuitants who work after retirement change in 2000?

Like social security benefits, railroad retirement tier I benefits and vested dual benefits paid to employees and spouses, and tier I, tier II and vested dual benefits paid to survivors, are subject to earnings deductions if post-retirement earnings exceed certain exempt amounts.

For those under age 65, the exempt earnings amount rises to $10,080 in 2000 from $9,600 in 1999. For beneficiaries ages 65 through 69, the exempt earnings amount rises to $17,000 in 2000 from $15,500 in 1999. These earnings limitations do not apply to any annuitants age 70 or older, starting with the month in which they are 70.

For those under age 65, the earnings deduction is $1 in benefits for every $2 of earnings over the exempt amount. For those ages 65 through 69, the deduction is $1 for every $3 of earnings over the exempt amount.

A special rule applies to earnings for one year, usually the first year of retirement. Under this rule, a full annuity can be paid, regardless of annual earnings, for any month in which a person is "retired" and monthly earnings do not exceed a certain limit. In 2000 these monthly limits are $840 for beneficiaries under age 65, and $1,417 for those ages 65 through 69.

Earnings consist for this purpose of all wages received for services rendered, plus any net earnings from self-employment. Interest, dividends, certain rental income or income from stocks, bonds, or other investments are not considered earnings for this purpose.

Regardless of age and/or earnings, no railroad retirement annuity is payable for any month in which an annuitant (retired employee, spouse or survivor) works for a railroad or railroad union.

Retired employees and spouses who work for their last pre-retirement nonrailroad employer are subject to an additional earnings deduction, which does not change from year to year. Such employment will reduce tier II benefits and supplemental annuity payments, which are not otherwise subject to earnings deductions, by $1 for each $2 of compensation received, subject to a maximum reduction of 50 percent. The deductions in the tier II benefits and supplemental annuities of individuals who work for their last pre-retirement nonrailroad employers apply even if earnings do not exceed the tier I exempt earnings limits. Also, while tier I and vested dual benefit earnings deductions stop when an annuitant attains age 70, these tier II and supplemental annuity deductions continue to apply after the attainment of age 70. An employee's work for a last pre-retirement nonrailroad employer will cause a reduction in the spouse's tier II benefit.

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8. Do the special earnings restrictions on disabled employee annuitants change?

No. The special restrictions which apply to disability annuitants do not change in 2000. The amount disabled railroad retirement employee annuitants can earn without reducing their benefits is $400 per month, exclusive of disability-related work expenses. While a disabled employee's annuity is not payable for any month in which he or she earns more than $400 in any employment or self-employment, withheld payments will be restored if earnings for the year are less than $5,000. Otherwise, the annuity is subject to a deduction of one month's benefit for each multiple of $400 earned over $4,800 (the last $200 or more of earnings over $4,800 counts as $400). However, if a disabled annuitant works after retirement, this may also raise a question about the possibility of that individual's recovery from disability, regardless of the amount of earnings, and must be reported.

9. How much are the maximum amounts of earnings subject to regular railroad retirement payroll taxes on employers and employees increasing in 2000?

The railroad retirement tier I tax rate of 7.65 percent for employers and employees, which is the same as the social security tax and for withholding and reporting purposes is divided into 6.20 percent for retirement and 1.45 percent for Medicare hospital insurance, remains the same. However the maximum amount of an employee's earnings subject to the 6.20 percent rate will increase to $76,200 in 2000 from $72,600 in 1999. There is no maximum on earnings subject to the 1.45 percent Medicare rate; all of an employee's compensation is subject to the Medicare tax.

The maximum amount of earnings subject to the railroad retirement tier II tax of 4.90 percent on employees, and 16.10 percent on employers, will increase to $56,700 from $53,700.

In 1999, the regular railroad retirement tax on an employee earning $72,600 was $8,185.20 and the employer's regular railroad retirement tax on such an employee was $14,199.60. In 2000, the railroad retirement tax on an employee earning $76,200 will be $8,607.60 compared to $5,829.30 under social security, and the employer's tax will be $14,958.

10. Are the railroad retirement supplemental annuity taxes paid by railroad employers changing in January 2000?

The rate of the supplemental railroad retirement annuity tax paid solely by rail employers is determined quarterly by the Railroad Retirement Board. The rate for all four quarters of 1999 has been 27 cents per work-hour; the rate for the first quarter of 2000 will be announced later in 1999.

11. Is there a change in the railroad unemployment insurance taxes paid exclusively by employers?

In 2000, the basic unemployment insurance tax rates on railroad employers, which are experience-rated by employer, will range from a minimum of 0.65% to a maximum of 12% on monthly employee compensation up to $1,005, rather than $970 as in 1999. New employers in 2000 will initially pay a tax rate of 1.67%.

A surcharge of 1.5 percent, which was added to the basic tax rates in 1998 and 1999, will not be in effect for 2000 because of an increase in the Railroad Unemployment Insurance Account balance, which was almost $118.7 million on June 30, 1999.

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For 72 percent of covered employers, the unemployment insurance rate assessed will be 0.65 percent in 2000, which is $6.53 per month for each employee with earnings of $1,005 or more per month, and 9 percent will be assessed a rate of 12 percent, which is $120.60 per month for each employee with earnings of $1,005 or more per month.

12. By how much will the unemployment and sickness benefits paid by the Board increase on July 1, 2000?

The daily benefit rate will increase $2, from $46 to $48, on July 1, 2000.

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